



Case No: 2001/2214

Neutral Citation No: [2002] EWCA Civ 196
IN THE SUPREME COURT OF JUDICATURE
COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
THE HON MR JUSTICE JACOB

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 27th February 2002

Before:

LORD PHILLIPS M.R.
LORD JUSTICE JUDGE
and
LORD JUSTICE CARNWATH

Between :

(1) WWF – WORLD WIDE FUND FOR NATURE
(Formerly World Wildlife Fund)
(2) WORLD WILDLIFE FUND INC
- and -
WORLD WRESTLING FEDERATION
ENTERTAINMENT INC

Claimants/
Respondents

Defendant/
Appellant

Mr C Morcom QC and Mr M Brealey (instructed by Edwin Coc) for the
Claimants/Respondents

Mr G W Hobbs QC, Miss S M L Ward and Miss E K Himsworth (instructed by S'J
Berwin) for the Defendant/Appellant

Hearing dates : 11th to 12th February 2002

**JUDGMENT : APPROVED BY THE COURT FOR
HANDING DOWN (SUBJECT TO EDITORIAL
CORRECTIONS)**

Lord Justice Carnwath :

1. This is the judgment of the Court, in an appeal against the Order of Jacob J brought with his permission. The application before him was for summary judgment, for an injunction and monetary relief, in an action brought by the World Wide Fund for Nature and its US affiliate, World Wildlife Fund Inc. He called the claimants collectively "The Fund." The defendant is the World Wrestling Federation Entertainment Inc. ("The Federation"). The Fund seeks enforcement of a contract dated 20th January 1994, governed by English law. The contract limits the Federation's freedom to use the initials WWF in its trade. The Federation has admittedly broken the terms of the contract, but claims to be justified because the relevant terms are void, either at common law as being in unreasonable restraint of trade or by virtue of the provisions of Art. 81 (formerly Art.85) of the Rome Treaty as amended. The judge gave summary judgment for the Fund. The injunction has been stayed pending this appeal. The following summary of the facts is based on that given by the judge, which was generally undisputed.

The parties

2. The Fund was founded in 1961 as the World Wildlife Fund. Soon after foundation it extended its activities to the broader range of environmental conservation. It is now the largest private international nature organisation. It has, through its affiliated national organisations (such as the second claimant), a worldwide or near worldwide presence; for instance in the years 1990 to 1993 the Fund was engaged in 1170 projects in 125 countries. It has more than 4.5 million individual contributors. Its name, and the initials WWF, are extremely well known worldwide. Generally the initials are used with a picture of a Giant Panda, but they are also used on their own.
3. Both to enhance and raise its profile and to make money it engages in extensive merchandising activities through gift catalogues and licensing. The papers include examples of the catalogues from many countries. The goods offered are of a wide variety and are generally presented as goods of the Fund, in the sense that they are to exclusive designs of the Fund and selected by the Fund. All the goods are consistent with the Fund's "image", that is to say of a charity concerned with conservation and the environment. The goods include T-shirts and toys. The judge was supplied with an example of a Fund toy bear wearing a WWF and Panda T-shirt.
4. The Federation is a company whose main officers are Mr and Mrs McMahon. It was originally called Titan Sports, Inc., but adopted its present name in 1999. It is the successor to a business originally called the World Wide Wrestling Federation, which in 1979 changed its name to World Wrestling Federation. From about then (and to a minor extent earlier) it started using the initials "WWF". Its activities were broadly confined to the US until the late 1980s, but thereafter they spread internationally to many parts of the world, including Europe.

5. The Federation's core business is the promotion of live wrestling entertainment events. The emphasis is on entertainment, rather than sport in the conventional sense. The Defence (para 10) describes it thus:

"The Defendant's product - wrestling as mass entertainment - is highly individualised and distinctive. It involves the promotion of individual wrestlers as larger-than-life, exaggerated characters, each with a unique stage persona and stage name reflective of that persona, who engage in wrestling contests and other pre-scripted, staged events which are televised live."

6. Over the years its business has extended, both by sale of television rights, and in many other ways. By the 1990's there were sales of magazines, videos and associated merchandising. For example, the Federation's UK catalogue for 1992 has pages headed "WWF Toys & Gifts", "WWF Back to School" (for items such as exercise books and back-packs), "WWF Apparel", and "WWF Videos". The goods are all related in some way to wrestling. Many feature some of the wrestlers appearing at the Federation's events, characters going by names such as "Hulk Hogan" and "Ultimate Warrior."

7. As one of the Federation's expert witnesses, Mr Olins, explains:

"It is clear that over the period from 1983 when the new management took over and the initials WWF were introduced, until today, the Federation has been transformed from a smallish promoter of a minority sporting entertainment into a significant global player in the leisure and entertainment world..."

The core product around which the brand is based is live wrestling, the core idea is raw aggression. A cast of heroes and villains, who become the stars, feature in a series of simple predictable stories. The brand is then extended into every possible distribution channel, from the core activity, live events, to cable and broadcast TV, pay-for-view, on-line, home video through to character merchandising and licensing. In 1999 there were 100 licensees around the globe who created clothing, tapes, videos, games, cut-out figures all featuring the Federation's stars and the Federation's logo and initials, generating sales of \$400 million."

Events leading to the contract in dispute

8. By 1983, the Federation had adopted what has been called the "block logo", which is (to use Mr Olins' phrase) a "highly stylised version" of the initials WWF. By the time of the contract (1994) there were 7 versions, copies of which formed Annex 2 to the contract. As the judge observed, the logo may not be immediately obvious as a

representation of the initials "WWF"; he saw it first as "WF". However, the Federation was also using the initials WWF in the form of ordinary letters. (The judge gave the example of the page headings of the 1992 catalogue.)

9. The Fund did not initially object to any of this. The first legal dispute came in 1989. This followed the Federation's application for a federal trademark registration of the initials "WWF" in the United States in International Class 41 for entertainment services. The application was in respect of the production of professional wrestling events rendered live and through the media of television. The Fund had filed for extensions of time to oppose the registration on the basis of potential confusion with its registered mark. The objection was resolved by a letter agreement of 12th September 1989. The letter read as follows:

"As you know, Titan Sports, Inc., ("Titan") has applied for federal trademark registration of the mark "WWF" in International Class 41. Your client, the World Wildlife Fund, has filed for extensions of time to oppose such registration, on the basis that its mark may be confused with the registered "WWF" trademark of the World Wildlife Fund.

By letter dated September 6, 1989, you requested that Titan Sports agree that it would not use the mark "WWF" in "Times Roman" typeface when that mark was standing alone, that is, when not used in conjunction with the World Wrestling Federation's logo or when the context of the World Wrestling Federation Magazine.

Titan Sports is willing to accept the terms of your offer, on the condition that by doing so, the World Wildlife Fund agrees that it will not oppose federal trademark registration by Titan Sports of the mark "WWF" in Class 41, Serial No. 770,628."

10. On that basis the Fund dropped its opposition to that US registration. As the judge observed, "the restriction imposed by the agreement was in practice very minor, particularly since the Federation did not use WWF in Times Roman".
11. It was on the international scale that conflict began to emerge. The Federation had commenced applying for trademarks outside the United States. In some countries Trade Mark Registries raised objections due to earlier conflicting marks of the Fund. In others the Fund opposed or took preliminary steps to oppose. The first objections were in Canada. By September 1991, the Federation was sufficiently concerned to propose that the parties should seek a global solution to their differences. A letter from their lawyers to the Fund, dated 30th September 1991, initiated a long period of negotiations. The immediate cause of the letter was the difficulties the Federation had encountered in trying to register the initials in Japan.
12. Meanwhile, there was a new development in the United States. In April 1992 a Grand Jury commenced an investigation into the Federation. It was pursued by the US

Department of Justice. Mr McDevitt, the Federation's attorney, gives a graphic account of the progress of this investigation, and the "intense and prolonged tabloid attack on the Federation" which accompanied it. In November 1993 the Department of Justice announced a criminal indictment of the Federation and Mr McMahon on charges of illegal possession of anabolic steroids with intent to distribute and conspiracy to defraud the United States Food and Drug Administration. The charges were ultimately dismissed at a trial in July 1994.

13. All this put the Federation under pressure, in business and personal terms. Mrs McMahon describes this period in her evidence:

"This was an anxious and frightening time for me, my family and many of our staff... We were suffering from declining revenues and losing our market share, making our lenders concerned. On top of all this, there was the spectre of the worst scenario, that my husband would go to prison and the Federation would go out of business..."

14. There is some suggestion in the Defendant's evidence that the Fund wrongly sought to exploit the pressures of the Grand Jury proceedings in its negotiations with the Federation. However, this was not any part of Mr Hobbs' case before us. Indeed, the evidence of Mr Rogers (the Fund's Legal Advisor), which Mr Hobbs did not contradict, was that he was unaware of the criminal investigations until October 1993, by which time the agreement was in its final form.

15. Notwithstanding these problems for the Federation, as the judge said, the business was plainly at all times very substantial. He summarised the figures. Its turnover in 1990 was nearly \$168m. In 1991 that fell to \$144m. In 1993 revenues fell to \$130m and for the first time the Federation made a loss. In 1994, the turnover fell to \$91m, although a profit of \$5.5m was made. During 1995, turnover fell somewhat more. Thereafter, business has picked up. The Federation's profits jumped in 1999 from \$8.5m for the previous year to \$57m.

16. The conflicts between the parties around the world continued during 1992 and 1993. Annex 6 to the Defence and Counterclaim lists the disputes. In all but one of the cases, the conflicts were in Trade Mark Registries in various countries. For the most part it was the Fund objecting, or seeking extensions of time in which to object, to trade mark applications by the Federation. But there were instances the other way. For instance, in the United Kingdom it was the Federation which opposed the Fund's application for the WWF Panda Device in Class 16 (printed matter). The Federation was also opposing the Fund's marks in Denmark and Spain. (As the judge observed, this seems to imply an allegation by the Federation that the Fund's mark was confusingly similar to WWF as used by the Federation.) By 1993 the Fund was threatening legal proceedings in a number of different countries, particularly in Europe.

17. Eventually, in December 1992, it took action, suing the Federation in Switzerland. It applied, under an urgent "without notice" procedure, for an injunction against a distributor of the Federation's magazine which was entitled "WWF - Magazin". The application was successful. An order was made prohibiting publications using the designation "WWF" (other than to describe the Fund). The prohibition extended to use of the letters in the block logo, a copy of which was annexed to the order. The order was made "with immediate effect... to be followed by oral proceedings", and provision was made for the parties to be "summoned to the hearing by means of a separate notice to appear". Thus, as one would expect on a "without notice" procedure, there would have been an opportunity for the Federation to challenge to order. This opportunity was not taken, because, as Mr Hobbs told us, the Swiss proceedings were put into "cold storage" while the negotiations continued.

18. We have been shown a translation of the reasoned judgment of Judge Rahm. We note the criticisms made by the Federation, that the judge was not given all the relevant information by the Fund, particularly as to the current negotiations. However, we find the judgment helpful in throwing some light on the issues, which would have been in the minds of the parties at the time. The judge based his decision on "indirect" risk of confusion:

"As far as the products of the respective parties are concerned, no danger of confusion is to be assumed. The overall impression created by the publications of the Plaintiffs and the Defendant is so different that the average purchaser wishing to buy a wrestling magazine will hardly mistake it for the WWF News, or vice versa. On the other hand, indirect risk of confusion does indeed prevail: owing to the high degree to which the Plaintiff's mark WWF is well known, the public may well get the wrong impression that the Plaintiff is in some form associated with the World Wrestling Federation. Danger of confusion has thus been sufficiently proved in this case."

19. The Fund's case for "precautionary measures" relied on "prejudices which cannot easily be repaired" in the form of "destruction to reputation", "weakening of the trade mark", and "confusion... owing to the marks being mistaken for each other". The judge observed:

"It seems in fact probable that in the event of the continued marketing of the Defendant's products the prejudices as claimed will indeed arise, and in particular, considerable damage to the Plaintiff's reputation is to be expected which, as experience has shown, is very difficult to remedy. The Plaintiff has a genuine interest in not being identified with the ideals of the World Wrestling Federation, which are in blatant contrast to his own principles. As stated in the foregoing, the Defendant's actions have given rise to a risk of confusion which likewise affects the good reputation enjoyed by the Plaintiff. Neither does he have to tolerate the 'watering down' of his trade mark..."

20. Settlement negotiations continued. The various proposals and counter proposals are in evidence. Both parties were supported by strong legal teams. Throughout, the Federation maintained that there was no risk of confusion, and the Fund the opposite. The Fund also continued to express concern over potential damage to its reputation from any apparent association with the Federation. The Federation could have had no doubt about the extent of the Fund's concerns on this score. For example, in December 1992, the Fund's lawyers drew attention to a Penthouse article making lurid allegations against the Federation's wrestlers. Mrs McMahon's own note of a meeting with the Fund in January 1993 summarises the Fund's position in six points, including "confusion in the market place" and:

"Overwhelming repugnance at being associated with the World Wrestling Federation; violence, anti-conservation with Skinner and Jake the Snake."

The Agreement

21. The agreement was concluded on 20th January 1994. The principal terms were as follows:

RECITALS

WHEREAS, the Fund is the world's largest private environmental conservation organization carrying on its activities using the initials WWF as well as providing goods and services under the mark WWF and wishes to avoid any confusion with the trade name "World Wrestling Federation" when abbreviated to the initials "WWF" by Titan;

WHEREAS, the National Affiliates are all signatories to agreements with the Fund under which they are each licensed by the Fund to use and sublicense the use of the initials "WWF" in connection with their activities;

WHEREAS, Titan is in the business of providing sports entertainment services and goods and does so under the marks "World Wrestling Federation" and "WWF".

NOW, THEREFORE, the parties, in consideration of the mutual covenants and agreements contained herein and intending to be legally bound hereby, agree as follows:

ARTICLE 1. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth as follows:

1.1 "Initials" means the initials "WWF" in any language, but does not include Titan's logo or the name "World Wrestling Federation".

1.2 "Titan's Logo" means Titan's World Wrestling Federation logo in all forms appearing in Annex II attached hereto and made a part hereof and in any color or combination of colors selected by Titan.

ARTICLE 2. UNDERTAKINGS BY TITAN

2.1 Subject to the provisions of Article 5, Titan undertakes, whether acting directly or indirectly through its officers, servants, agents, subsidiaries, licensees or sublicensees, its television or other affiliates, or otherwise howsoever, and subject only to the terms hereinafter set out in this Agreement:

(1) forthwith to cease and thereafter to refrain from using or causing to be used the Initials whether in printed or written or other visual form in any country of the world in or for the purposes of or in connection with its business;

(2) with reasonable dispatch, in all countries to withdraw and to refrain from filing any application for registration of the Initials or any mark consisting of or including the Initials as a trade mark or service mark and immediately to cancel any registration of any such mark, except (a) Titan's logo, or (b) where such mark is consistent with the oral uses of the initials permitted only in Section 2.1 (6)(b) of this Agreement;

(3) immediately to cease and thereafter refrain from using or causing to be used the Initials orally in any language in any country of the world in or for the purposes of or in connection with:

(a) the promotion or sale of or in any other connection with any goods whatsoever;

(b) the encouragement directly or indirectly of support including donations or otherwise for charitable or similar purposes; or

(c) the promotion or sale of or in any other connection with any services, other than as permitted under Section 2.1 (6)(b);

(6) PROVIDED THAT nothing in the foregoing undertakings shall prevent any of the following:

(a) the use of Titan's logo and/or the name "World Wrestling Federation";

(b) the occasional use of the Initials orally, but only in the English language during Titan sports entertainment

events presented in any language, whether pre-recorded or live or whether televised or not, including in the story lines, interviews, comments, introductions and promotions of such events, etc. (e.g. "the current WWF champion"), provided that, Titan will use its best efforts not to use the Initials orally in scripted matter including story lines, comments, introductions or promotions;

22. By Article 3, the Fund undertook to withdraw all pending legal actions, and to refrain from any future proceedings "based on use of the Initials orally, Titan's Logo or the name "World Wrestling Federation" in compliance with the undertakings set out in this Agreement", and, subject to the Federation's compliance with the agreement, to refrain from any future action "based on trademark infringement, passing-off, alleged confusion, unfair competition, deceptive business practices or trade name abuse" arising from the Federation's conduct of its business.
23. Article 5 made special provision for the United States, which gave the Federation much greater freedom in its use of WWF:

ARTICLE 5. UNITED STATES OF AMERICA

This Agreement shall not apply to the United States of America as to the oral use of the Initials in relation to goods; however, this Agreement shall apply to the United States of America in relation to the printed, written, visual or other uses of the Initials upon or otherwise in relation to goods made or offered for sale by Titan or its licensees or the use of the Initials in any manner in connection with solicitation of charitable donations, otherwise the rights of Titan and of the Fund in the United States of America shall only be subject to that certain Letter Agreement between Titan and World Wildlife Fund, the United States affiliate of the Fund, dated September 12, 1989 (the "Letter Agreement")... with the Fund standing in the stead of World Wildlife Fund.

24. Article 6 ("Infringements") required the Fund to use its best endeavours to notify the Federation of any use of the Initials by third parties in connection with wrestling, and to co-operate in abating such use. By Article 6.2:

"The parties hereby acknowledge that Titan is permitted to maintain those registrations authorized under Section 2.1(2)(b) hereof specifically in order that Titan may retain the protections afforded thereby to assist in abating infringing uses of the Initials by third parties..."

By Article 6.3, the Federation agreed -

"never to attack or deny any rights of the Fund in its name 'WWF' or the Fund's trademarks consisting of or containing the Initials (except if the Fund shall have abandoned the same) and their use for any goods or services in any country whatsoever other than in International Class 41 for 'services for wrestling entertainment'..."

25. Article 9 ("Termination") provided that the agreement should continue until terminated by mutual consent or by judicial decree; or, in the event of default by one party, on 60 days notice by the other to terminate. The judge also referred to Article 15 ("Severability"), which provided for the agreement to be supplemented, as necessary, to cure invalidity of any term; and Article 16, an "entire agreement" clause. Nothing has turned on these clauses in the argument before us.

The Post Contract Events

26. The Federation initially complied with the contract. An exhibit to the affidavit of Mr Kaufman (Senior Vice President and General Counsel of the Federation) summarises the steps taken by way of compliance, including instructions to its employees and to licensees. In July 1994, a "tilted" form of the block logo was adopted, without objection by the Fund.

27. A significant change came in 1997, with the establishment of the Federation's web-site. The judge summarised the position thus:

... since at least 1997 the Federation has simply ignored the contract. In particular with its adoption of the website address www.wwf.com in that year the Federation has more or less used the initials at will and on an increasing scale. It also dropped the block logo and went over to what was called the "scratch logo"... To my eye it is more obviously the initials than the block logo.

28. Mr Hobbs gave us no reason to qualify that assessment materially. Mr Kaufman's exhibit suggests that the Federation continued, in its publications, to make some effort to use the Logo rather than the letters as such. However, there was no attempt to minimise the use of the letters on the web-site. On the contrary, a deliberate decision seems to have been made to develop the internet business, based on a "WWF" brand.

29. In that respect the Federation has been remarkably successful. The evidence is summarised in Mr Hobbs' skeleton:

"The popularity of the Federation's web-site, which has consistently been one of the top 50 most-visited sites on the world wide web, illustrates the significance of the internet for the Federation. The Federation has invested substantial

resources into the development of the internet division which had helped its overall business to grow and to maintain popularity and profitability...For example, the Federation now sells tickets for its live events on the internet. As a result, in 2000, some of its live events sold out in record time... The Federation received on average 250-300 million page views per month over the five months ending June 2001. The Federation attributes its growth in large measure to its successful internet sites."

30. In his affidavit, Mr Kaufman (who only joined the company in early 1997) gave his view of the agreement:

I took the view that the Agreement did not expressly cover the internet and furthermore that the Federation was allowed (see Article 5) to provide services in the United States under the Initials. There was no doubt in my mind that the delivery of internet services in the United States by the Federation fell, in any event, within the parameters of this Article."

He thought that the Federation's decision to accept the agreement had been "inexplicable", other than in the context of the severe pressure the McMahons had been under at the time. Before us, Mr Hobbs has not argued that the establishment of the web-site, based on the letters, was other than a clear breach of the agreement.

31. Another less significant development was the move to the "Scratch Logo" in early 1998. This was another stylised version of the letters WWF. This was developed, according to Mrs McMahon, to meet the perceived need for a logo "designed to appeal to a tougher, edgier audience and fanbase". Mr Olins describes the change as "an abrupt change", where "the commercial situation demands something new and different" and as marking "a break from the past". He contrasts it with "incremental change", an example of which was the earlier change to the tilted version of the block logo.
32. Again, this change was part of a deliberate marketing strategy, and again it seems to have been successful, to the extent that, according to Mrs McMahon, the Scratch Logo "has today become synonymous with the Federation". In respect of the Scratch Logo, unlike the web-site address, we shall need to consider an argument by Mr Hobbs that, on the true interpretation of the agreement, there was no breach. We shall
33. The first objections raised by the Fund to the web-site came at the beginning of 1999. Correspondence continued until the end of December 2000, when the present proceedings were begun.

The issues

34. The issues in the appeal can conveniently be considered under the following headings:
(a) Principles for summary judgment (b) Breach of contract (c) Public policy (d) Injurious association (e) Other issues (f) Conclusions and remedy.

Principles for summary judgment

35. The judge said

"There was no dispute as to these. I have to be satisfied that the defendant has no real prospect of successfully defending the claim. It is immaterial in relation to that test that lengthy litigation is in prospect, see *per* Lord Hope in *Three Rivers DC v Bank of England (No 3)* [2001] 2 All ER 513 at 546. What I am looking for is "absence of reality" to use Lord Hobhouse's words in *Three Rivers* at page 568b."

36. That may be a somewhat "truncated" version of the *Three Rivers* tests, as Mr Hobbs says, but it is a fair one. The judge was also right, in our view, in giving little weight to the suggestion that further evidence might become available. There was a mass of evidence before him. As he said, it was not the kind of case where there was any reason to expect a significant change to the overall picture to emerge at trial.

Breach of contract

37. As has been said, there is no dispute that there have, at least since 1997, been significant breaches of the agreement, most notably in the form of the web-site.

38. The only live issue of interpretation relates to the Scratch Logo. As to this, Mr Hobbs argues that the agreement was not intended to restrict the use of the letters WWF in "monogram/device form" (to quote his skeleton):

"The Agreement as a whole regulates visual and oral expression of "the initials WWF in any language". The reference to "language" indicates that the restrictions in the Agreement are directed to use of the initials WWF as a morpheme and do not apply to graphic designs in logotype form merely because they are designs out of which the letters W, W and F can be extracted"

Consistently with this approach, he says that the examples of the block logo, shown in Annex 2 of the Agreement, were outside the agreement; their specific exclusion was for the avoidance of doubt only.

conflicting interests. The laws governing those rights are designed to set reasonable limits to the restrictions, but the limits are not always clear-cut. Where there are disputes, it is in the interests of everyone, including the public, for those disputes to be settled by agreement, rather than litigation, and for such agreements to be respected.

43. This proposition does not mean that the doctrine of restraint of trade is altogether excluded. It merely acknowledges that the public interest represented by the doctrine has to be applied in the factual context of the agreement; that the parties, with proper legal advice, are the best judges of what is reasonable in their respective trading interests; and that agreement between them is normally the fairest and most efficient way of drawing the boundaries.

44. This was the approach of Taylor LJ in *Apple Corp v Apple Computers* [1991] 3 CMLR 99, where he enumerated the factors to be taken into account in assessing the reasonableness of the restraint:

"First, this was a settlement agreement. It was made on the footing that each party had *some* legitimate interest in its trademarks and logos which it wishes to protect. The agreement was drawn up specifically so as to avoid challenges and contests in a host of countries. It was implicit in such a settlement that the parties were not attempting a finite assessment of all their rights country by country. They adopted a broad-brush approach. If one party to such an agreement, dissatisfied with his bargain, can by challenging its enforceability require the court to explore and adjudicate upon the validity and strength of the other's rights country by country, then such an agreement would totally fail to achieve its object of avoiding disputes and litigation. A settlement agreement would settle nothing. It would merely set the stage for the very lengthy and expensive litigation sought to be avoided." (para 149)

45. Mr Hobbs submitted that this case in fact assisted his argument. As noted by Taylor LJ in the preceding paragraph (para 148), it was common ground that enforceability of the settlement agreement depended on whether the restrictions were reasonably necessary to protect the claimant's interests. The agreement did not foreclose that argument. The passage quoted above was directed to the limited question before the court, which related to the defendant's attempts at a late stage to raise issues about the validity of the claimant's trademark registrations.

46. We do not think that this comparison helps Mr Hobbs' case. In our view, Taylor LJ was expressing a principle of general application, which we are content to adopt. It is true that in that case, it was apparently common ground that in other respects the agreement was vulnerable to attack under the doctrine. However, it is wrong to read too much into matters which were not in issue before the Court of Appeal, in what was but one skirmish in very complex litigation. In that case, there was clearly a

substantial dispute as to the extent of any genuine use of, or goodwill in, the marks at the time the agreement was made or thereafter (see paras 22, 102). The whole foundation of the agreement was therefore under attack.

47. We do not see Taylor LJ's approach as materially different from that of the European Court of Justice, in applying the relevant provisions of the Treaty. Thus, in Case 35/83 *BAT v Commission* [1985] ECR 363 the Court of Justice said:

"The Court acknowledges that, as the Applicant and the Government of the Federal Republic of Germany submit and the Commission also concedes, agreements known as delimitation agreements are lawful and useful if they serve to delimit, in the mutual interests of the parties, the spheres within which their respective trade marks may be used, and are intended to avoid confusion or conflict between them. That is not to say, however, that such agreements are excluded from the application of Article 85 of the Treaty if they also have the aim of dividing up the market or restricting competition in other ways..." (para 33)

In that case, as the Court held, the agreement was not a settlement of a genuine dispute. BAT's opposition was "an abuse of (its) rights" (para 35) and the agreement was based on "a contrived conflict" (para 37).

48. To summarise, where the claimant has been party to a settlement of a genuine dispute, designed to define the boundaries of his trading rights as against the defendant, he is entitled to expect that to be enforced. It is not for him to prove that it is reasonable. The presumption is that the restraints, having been agreed between the two parties most involved, represent a reasonable division of their interests. It is for the Defendant, seeking to avoid the agreement, to show that there is something which justifies such a course, because the dispute was "contrived" (as in the *BATS* case); or because there was no reasonable basis for the rights claimed (as, apparently, in *Apple*); or because it is otherwise contrary to the public interest, for example on going beyond the legitimate purpose of seeking to "avoid confusion or conflict" between the parties.
49. In substance, therefore, we agree with the judge in setting a "threshold requirement", before any question arises of the claimant having to justify the restraints imposed by the agreement. However, we do not find it necessary or appropriate to define, further than we have done, the circumstances in which the threshold might be crossed in different factual contexts. As will appear, we are satisfied that in this case, the Defendants have failed to show any reason for releasing them from their agreement.

Injurious association

50. It is necessary at this point to refer to an issue, which was addressed at some length by the judge, and in the submissions before us, although in our view it is only of background relevance.
51. The term "injurious association" seems to have been used by the judge as a general term for objections based on factors other than commercial confusion. The Fund's reply, in support of its case on justification, had relied not only on risk of confusion, but also on risk of "dilution of the claimant's mark and name WWF" and "tarnishing of the claimant's reputation in the mark and name WWF".
52. The judge put some weight on this aspect of the Fund's case. He said:
- "I think the Fund had a legitimate interest in any injurious association with the Federation, whether conscious or even sub-conscious. It had an interest in the initials remaining unsullied, in putting as much clear water as possible between it and the Federation. Moreover that interest is worldwide. One must take into account the possibility of association (commercial or otherwise) in many lands, in many tongues and by people who are not particularly familiar with the Federation." (para 35)
53. Although he went on to refer to some examples of possible confusion over actual goods (such as toy bears and T-shirts), the main emphasis was on the Fund's interest in avoiding "any insalubrious connotation" when the initials WWF are used.
54. Mr Hobbs demonstrated that there has for many years been a lively debate, in intellectual property circles, about the extent to which such factors should be the subject of protection by the law. He referred us to the apparent origin of the concept of liability for dilution without confusion, in an article by Dr Schechter in 1927: "The Rational Basis of Trademark Protection" - 40 Harvard Law Review 813 (1927). Article 25 of the current Restatement of the US Law of Unfair Competition is headed "Liability without proof of Confusion: Dilution and Tarnishment": liability without proof of confusion arises "only under an applicable antidilution statute". The Commentary refers to a number of states which have introduced laws "prohibiting uses that dilute the distinctiveness of the mark or tarnish the associations evoked by the mark". It notes that there is no comparable common law cause of action for trademark dilution.
55. In Europe, the debate was fuelled by Article 5 of the Trade Mark Directive 89/104/EEC, subsequently transcribed into English law in the Trade Marks Act 1994, s 10. A detailed discussion of these provisions and the subsequent case-law is to be found in the recent judgment of Pumfrey J. in *DaimlerChrysler AG v. Alavi* [2001] IP&T 496. Section 10(2) of the Act of 1994 (Art 5(1)(b) of the Directive) refers to "likelihood of confusion on the part of the public", which is defined as including "likelihood of association between the sign and the trademark". It seems that the reference to "association" was derived from

the laws of the Benelux countries which protect against "non-origin association" (see the discussion in *Wagamama Ltd v City Centre Restaurants plc* [1995] FSR 713, per Laddie J). However, arguments that this had led to the introduction of a similar concept into European trademark law generally were not supported by the European Court of Justice in *Canon v. MGM* [1998] ECR I-5507. The Court held that there could be no likelihood of association, within the meaning of the Directive-

"where it does not appear that the public could believe that the goods or services come from the same undertaking or, as the case may be, from economically-linked undertakings" (para 30). (see also *Marca Mode CV v. Adidas AG* [2000] ETMR 723 at paragraph 41).

56. Further room for argument is given by section 10(3) of the Act of 1994 (Art 5(2) of the Directive), dealing with non-similar goods and services. There is an infringement where a trademark has "a reputation in the United Kingdom" and the use of an identical or similar sign "being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark." Again questions arise as to how far this creates liability for "association without confusion": see the discussion in *DaimlerChrysler* (above, at paras 84-88, per Pumfrey J). In the light of that discussion, Mr Hobbs submits that

"The prevailing view is that the presence in the market place of different marks which call each other to mind is necessary but not sufficient without more to warrant the conclusion that the use of one is detrimental to or takes unfair advantage of the distinctive character of the other."

57. We do not find it necessary to engage in this debate. At most, it helps to demonstrate the potential complexity and uncertainty of the issues, which the parties would have faced in litigating their dispute round the world. Thus the judge acknowledged that a passing-off action in the United Kingdom might have faced some difficulty; but there would have been better prospects in the Benelux countries, where "the doctrine of association was holding sway". The Judgment in the Swiss case, already quoted, shows that, in that jurisdiction at least, damage to reputation and "watering down" of the trade mark were regarded as legitimate grounds of objection, and that the Fund's case was seen as a serious one. Jacob J concluded:

"The possibility of success for the Fund in some countries was realistic: the Federation was genuinely at risk at least of a patchwork of decisions around the world. Nor is it without significance that the Federation, although mainly on the receiving end of disputes, itself opposed the Fund's trademark applications in some countries. These matters go to show that the disputes of the time cannot be dismissed as mere "contrived conflicts.""

58. We agree. Indeed, the uncertainties described by Mr Hobbs underline the desirability of such issues being settled by agreement between the parties, and of their agreements being respected by the courts.
59. Mr Hobbs makes the point that the recitals to the Agreement expressed the purpose as being to avoid "confusion", there being no mention of "dilution", "tarnishment" or "injurious association". This seems to us unduly technical. We cited earlier the Swiss judgment and a minute by Mrs McMahon, which showed clearly that the Fund's concerns (as the Federation well knew) were not confined to "confusion" in the strictest sense. We have also noted the terms of the Directive, which were thought by some to assimilate the wider Benelux concept of "association" with the definition of "confusion". We cannot read this aspect of the recitals as limiting, in the way suggested, the scope of the substantive provisions.

Other issues

60. We turn to certain other issues raised by Mr Hobbs, most of which we can deal with shortly, because we have little to add to what the judge said.
61. First, we note an apparent inconsistency in the judgment, from which Mr Hobbs sought to derive some help. As we have said, the judge defined a relatively high "threshold requirement" for application of the restraint of trade doctrine, embodied in a three stage test. However, he does not in terms appear to have applied it. At paragraph 33, he rejected an argument by the Fund that the doctrine had no application to a trade mark restraint. He said that it depended on the circumstances; and that, given the importance that the letters WWF had by 1994 acquired in the Federation's trade, the future restrictions in the agreement constituted "an actual fetter". Having thus concluded that the doctrine applied, he asked whether the restraint was justified, the burden of establishing justification lying on the Fund.
62. In this analysis, he seems to have omitted the second stage of his own test: did the restraint go "beyond any reasonably arguable scope of protection" of the rights in question. Mr Hobbs submits that he must be taken, implicitly, to have answered this question in favour of the Federation. We cannot accept that interpretation. While there does seem to be an inconsistency in the line of reasoning, the overall tenor of the judge's conclusions is perfectly clear.
63. Secondly, like the judge, we reject the submission that the agreement should be given any less weight because of the pressures the Federation was under at the time of the negotiations. We are content to adopt what the judge said:

"... no-one can doubt that the agreement was negotiated by a series of proposals and counterproposals with each party being fully represented. Nor can it be doubted that the Federation at the time was a substantial concern with a large and profitable multinational business... The authorities do not call for a

raised before the judge, when the terms of the order were being discussed; but he reached no decision on them, no doubt because of his decision to grant permission to appeal.)

68. Mr Hobbs rests his submission on Section 12 of the Human Rights Act 1998 (see above) and on the words of Lindley MR in *Haynes v. Doman* [1899] 2 Ch. 13, 25 (with reference to agreements in restraint of trade):

"Such agreements cannot be properly held to apply to cases which, although covered by the words of the agreement, cannot be reasonably supposed ever to have been contemplated by the parties, and which on a rational view of the agreement are excluded from its operation by falling, in truth, outside, and not within, its real scope. But, even if some extreme case of a technical breach producing no injury to the party to be protected could be proved, sound principle requires, not that the agreement should be void in toto, but only in so far as it is really unreasonable. Even if the restriction could not be so construed as to exclude such a case, no jury would give the plaintiff any damages, and no judge would grant him an injunction. In such an extreme case the defendant is sufficiently protected against oppression without holding the agreement void in toto, and I am unable to see that public policy requires more."

69. Mr Hobbs submits that the use of WWF on the web-site address is a "technical" infringement. He says that the operations are so different that there is no real risk of confusion, or serious harm to the Fund, evidence by the fact that they took more than two years to take any complaint about the web-site. The agreement implicitly acknowledged (see, for example, clause 6(2)) that, even outside the United States, the Federation had significant rights to the use of WWF, at least as against third parties. Further, at the time of the agreement, although the internet was already available as a medium, neither party had in mind the extent to which it would "emerge as the predominant and essential communication and marketing tool for any global enterprise". This gave rise to unforeseen problems in exploiting the rights which the Federation had been given in the United States, having regard to the practical impossibility of confining use of the internet territorially. The high cost to the Federation of having now to change its web-addresses would be out of all proportion to the limited harm to the Fund.
70. In relation to the Scratch Logo, says Mr Hobbs, there is no evidence of any harm to the Fund. It is no more than a more modern version of the Block Logo, which the agreement expressly permitted. Again the cost to the Federation of having to abandon the Scratch Logo would be very great.
71. We are unable to accept these arguments. These were not technical breaches. The clear intention and effect of the agreement was to place severe restrictions on the

Federation's use of the letters WWF, particularly outside the United States. That meant that, if the Federation wanted to develop a worldwide trade, whether through the internet or any other means, the letters WWF were a very risky base on which to build it. When it established its website, it was, or should have been, fully aware of that fact. The costs of "rebranding" now, after some five years of development, are entirely attributable to its own decision to take that risk. The Scratch Logo may be less significant in itself, but it was part of the same strategy. It was likewise a clear breach of the agreement, and the risks were apparent.

72. For these reasons, we uphold the judge's order and dismiss the appeal. We invite the parties to agree the order consequent on this judgment, failing which we shall hear submissions.